

BUSINESS AND PROFESSIONAL SERVICES INDUSTRY STUDY

PLACER COUNTY, CALIFORNIA

Prepared for

**County of Placer
Office of Economic Development**

175 Fulweiler Avenue
Auburn, CA 95603-4543
530/889-4016
FAX 530/889-4095

Prepared by

**Sacramento Regional Research Institute,
A Joint Venture of SACTO and CSUS**

400 Capitol Mall, Suite 1860
Sacramento, CA 95814-4436
916/491-0444
FAX 916/441-2312

Ryan Sharp, Research Director
Olivia Knight, Deputy Research Director
Tanya Monroe, Research Analyst

Key Findings

- The Business and Professional Services industry is one of the fastest growing sectors in Placer County and the state illustrating the shift occurring in these economies from manufacturing to services.
- Placer County has been emerging as an economic node in the Sacramento region with diversified business, financial, and professional services sectors.
- In Placer County, Business and Professional Services can be distinguished as “back office” operations; contractor and sub-contractor services; computer and information services; retirement services; and unique services available to attract businesses to the County.
- Between 1997 and 2001, the Business and Professional Services industry in Placer County grew nearly 43 percent.
- In the year 2000, Business and Professional Services industry employee earnings in Placer County were over \$1 billion and grew over 88 percent between 1997 and 2001.
- The Business and Professional Services industry made up nearly 28 percent of total employment in Placer County in 2000 with close to 30,000 employees.
- In 2000, there were nearly 2,300 Business and Professional Services industry establishments in Placer County making up approximately 31 percent of all establishments.
- The Business and Professional Services industry contributes over 41,000 jobs and \$3.5 billion in output to Placer County’s economy including direct, indirect, and induced benefits.
- The Business and Professional Services industry makes up over 26 percent of Placer County’s total industry output and 30 percent of the total employment output.
- Most Business and Professional Services firms in Placer County are small, originated in the County, and have been in existence for around 18 years.
- A large number of the Business and Professional Services firms in Placer County service local customers as well as work with clients outside the County.
- The majority of Business and Professional Services companies are satisfied with Placer County as a place to do business citing quality of life factors as the major reason.

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Introduction

The Business and Professional Services industry has been one of the fastest growing sectors over the last few years, and is expected to be one of the industries with the greatest growth in the future. According to California Employment Development Department projections, many of the sectors in the Business and Professional Services industry in Placer County will see growth rates well above the projected Nonfarm employment growth of nearly 48 percent. For example, the Engineering, Accounting, Research, Management, & Related Services sector is projected to grow approximately 79 percent while traditional Business Services will see growth over 100 percent in Placer County. This trend is also expected statewide with Business and Professional Services industry growth projected above the total Nonfarm growth in 2010. These trends demonstrate a shift from manufacturing to services in the Placer County and California economies.

Underlying this growth has been the rapid increase in outsourcing. The change in management philosophy from promoting businesses diversification to encouraging concentration on core competencies has led to a rapid growth in the outsourcing of many types of business services that companies no longer perceive to be part of their core competencies. This business trend is reflected in the observation that much of the demand for business services comes from within other industries. Further, this behavior is displayed in the public sector as well. In the budget and staff constrained public sector it is often necessary to go to an outside source for specific skills or services, or for extra support at times of exceptional activity. In most mature, diversified economies, demand for outsourcing and specialty skills is evident in the strength of the Business and Professional Services industry.

Over the past few years, Placer County has been emerging as an economic node with diversified business, financial, and professional services sectors. Additionally, its economy has demonstrated a shift from manufacturing to a composition typical of more mature central cities. The Sacramento Regional Research Institute (SRRI) was engaged by Placer County to study the Business and Professional Services industry and demonstrate the diversification of the Placer County economy to include high-order business activities typically present in mature economies. The main goals of the study are as follows:

- Define the Business and Professional Services industry, distinguish the primary types of services provided by the industry, and identify the major firms in the industry.
- Analyze economic trends in the industry including estimating the overall size of the industry, examining employment, establishment, and wage information, and evaluating the economic impacts of the Business and Professional Services industry on Placer County.
- Assess variables that attract Business and Professional Services firms to Placer County and determine their level of satisfaction.

Each area will be discussed further in the following sections of the report including specific research methodologies used to complete each main task.

Definition of the Business and Professional Services Industry

Defining the Industry

The Business and Professional Services industry in Placer County is much more diverse than the typically defined business services that include such activities as advertising, personnel supply, and data processing. In Placer County it is important to capture services that are available to both the business and retirement communities. To this end, Business and Professional Services can be characterized as the following:

- “Back office” operations (administrative and support services);
- Contractor and sub-contractor services;
- Computer and information services;
- Retirement services; and
- Unique services available that attract businesses to Placer County

The Standard Industrial Classification (SIC) system has served as the structure for the collection, aggregation, presentation, and analysis of the US economy for many years. In this system, an industry consists of a group of establishments primarily engaged in producing or handling the same product or group of products or in rendering the same services. Services related to the business and retirement communities fit into many SIC code. To capture these services SRRI, in consultation with Placer County, defined Business and Professional Services by the following major SIC codes:

SIC Industry Definitions

- Major Group 70—Hotels and Other Lodging Places
- Major Group 73—Business Services
- Major Group 79—Amusement and Recreation Services
- Major Group 80—Health Services
- Major Group 81—Legal Services
- Major Group 87—Engineering, Accounting, Research, Management, and Related Services
- Major Group 60—Depository Institutions
- Major Group 61—Non-depository Credit Institutions
- Major Group 62—Security and Commodity Brokers
- Major Group 63—Insurance Carriers
- Major Group 64—Insurance Agents
- Major Group 65—Real Estate
- Major Group 67—Holding and Other Investment Officers
- Major Group 48—Communications

This Business and Professional Services industry definition based on SIC codes will be the primary definition used in this study since most related data is captured in relation to SIC classification. However, recently, industry data has been captured using a new system. Developed in cooperation with Canada and Mexico, the North American

BUSINESS AND PROFESSIONAL SERVICES DEFINITION

Industry Classification System (NAICS) represents one of the most profound changes for statistical programs focusing on emerging economic activities. NAICS, created using a production-oriented conceptual framework, groups establishments into industries based on the activity in which they are primarily engaged. While there is no formal crosswalk between SIC and NAICS, SRRI determined that the major SIC groups included in the Business and Professional Services industry definition fit most closely in the following NAICS categories:

NAICS Industry Definitions

- Category 51—Information
- Category 52—Finance and Insurance
- Category 53—Real Estate and Rental and Leasing
- Category 54—Professional and Technical Services
- Category 55—Management of Companies and Enterprises
- Category 561—Administrative and Support Services (Administrative and Waste Services)
- Category 621—Ambulatory Health Care Services (Health Care and Social Assistance)
- Category 622—Hospitals (Health Care and Social Assistance)
- Category 623—Nursing and Residential Care Facilities (Health Care and Social Assistance)
- Category 71—Arts, Entertainment, and Recreation
- Category 721—Accommodation (Accommodation and Food Services)
- Category 811—Repair and Maintenance (Other Services, Except Public Administration)

Economic data captured after the year 2000 is primarily contained in NAICS format. While the crosswalk between the two classification systems (SIC and NAICS) is not perfect, SRRI believes that the NAICS categories provide a reliable representation of the Business and Professional Services industry as defined by SIC code and will accurately capture data presented in 2001 and forward.

Primary Services

As mentioned above, the Business and Professional Services definition used in this report moves beyond the traditional services associated with the business services classification. The Business and Professional Services industry in Placer County provides a wide array of services catering to businesses' needs for outsourcing and expertise; demands of the large retirement community related to health and amusement; and aspects that make the County attractive to businesses such as the availability of recreation services and financial institutions. Figure 1 provides a description of the primary services offered by the Business and Professional Services industry based on SIC code and illustrates the diversification of services captured in the definition of the industry.

BUSINESS AND PROFESSIONAL SERVICES DEFINITION

FIGURE 1
PRIMARY SERVICES PROVIDED BY THE BUSINESS
AND PROFESSIONAL SERVICES INDUSTRY

<i>SIC Code and Description</i>	<i>Detailed Services</i>
70-- Hotels and Other Lodging Places	Self-Explanatory
73-- Business Services	Advertising Credit Reporting and Collections Mailing, Reproduction, and Commercial Art Building Maintenance Equipment Rental and Leasing Personnel Supply Computer Programming and Data Processing Security Services
79-- Amusement and Recreation Services	Performing Arts Studios Bowling and Commercial Sports Fitness Centers Membership Sports and Recreation Clubs Golf Courses
80-- Health Services	Doctor and Dentist Offices Nursing and Personal Care Facilities Hospitals and Laboratories Home Health Care Services
81-- Legal Services	Self-Explanatory
87-- Engineering, Accounting, Research, Management, and Related Services	Engineering, Architecture and Surveying Accounting, Auditing, and Bookkeeping Research, Development and Testing Consulting, Management, and Public Relations
60-- Depository Institutions	Federal and Commercial Banks Credit Unions Savings Institutions
61-- Non-depository Credit Institutions	Mortgage Bankers and Brokers Credit Institutions
62-- Security and Commodity Brokers	Self-Explanatory
63-- Insurance Carriers	Self-Explanatory
64-- Insurance Agents	Self-Explanatory
65-- Real Estate	Real Estate Operators Real Estate Agents and Managers Title Abstract Offices Land Developers
67-- Holding and Other Investment Officers	Self-Explanatory
48-- Communications	Self-Explanatory

Sacramento Regional Research Institute, February 2003

Data Source: U.S. Department of Labor, Occupational Safety and Health Administration, SIC Manual

Major Business and Professional Services Firms

As is expected with such a wide array of services, a large number of firms operate within the Business and Professional Services industry in Placer County. The sizes of these companies range from one employee to over 2,400 employees and operate in most of the cities within the County. Many of the major employers are in the larger cities such as Roseville and Auburn, but several of those providing recreation services are located in the Sierras. Figure 2 shows that the top 15 employers based on employment supply over 8,000 jobs in Placer County, range from 45 to 2,405 employees, and provide an assortment of services.

FIGURE 2
MAJOR EMPLOYERS IN THE BUSINESS
AND PROFESSIONAL SERVICES
INDUSTRY IN PLACER COUNTY

<i>Company</i>	<i>City</i>	<i>Employment</i>
Kaiser Permanente	Roseville	2,405
Sutter Health	Auburn	1,495
Pride Industries	Roseville	1,050
Surewest Communications	Roseville	820
Resort at Squaw Creek	Olympic Valley	450
Wells Fargo	Roseville	300
Placer Sierra Bank	Auburn	254
Adventist Health	Roseville	250
TASQ Technology, Inc.	Rocklin	250
Squaw Valley Ski Corporation	Olympic Valley	250
Northstar-at-Tahoe	Truckee	196
Denio's Roseville Farmers Market and Auction, Inc.	Roseville	120
SBC Communications	Auburn	113
Twelve Bridges Golf Club	Lincoln	85
Horizon West Headquarters, Inc.	Auburn	45

Sacramento Regional Research Institute, February 2003
Data Source: Above Listed Companies

General Benefits of the Industry Sectors to Placer County

In Placer County many of the Business and Professional Services firms are business-to-business suppliers of goods and services. The presence of these firms facilitates the start-up and expansion of primary producer firms in the County due to the fact that they can obtain the professional services they need in the local economy. In addition, this increases the local economic multiplier effect that occurs when new employment is added in the County through the Business and Professional Services industry.

BUSINESS AND PROFESSIONAL SERVICES DEFINITION

Other firms in the Business and Professional Services industry provide consumer services, especially health services. This indicates that Placer County is expanding its economy to provide more of the services its residents need, and may even be providing services for an extended market area outside its boundaries. This is consistent with the view of Placer County as core of one of the Sacramento region's economic nodes.

Further, the firms in these industries are typically located in office buildings, rather than retail or industrial structures, and are more likely to be located in central areas. This will ultimately create a change in the land use and transportation patterns of the region. The development of highly visible image-enhancing centers and monument buildings are likely to be outcomes of this process.

Economic Trends in Placer County's Business and Professional Services Industry

Research Methodology

Analyzing industry economic trends in terms of employment, business establishments, and employee earnings provides useful insight into the composition of Placer County's economy and its Business and Professional Services industry.

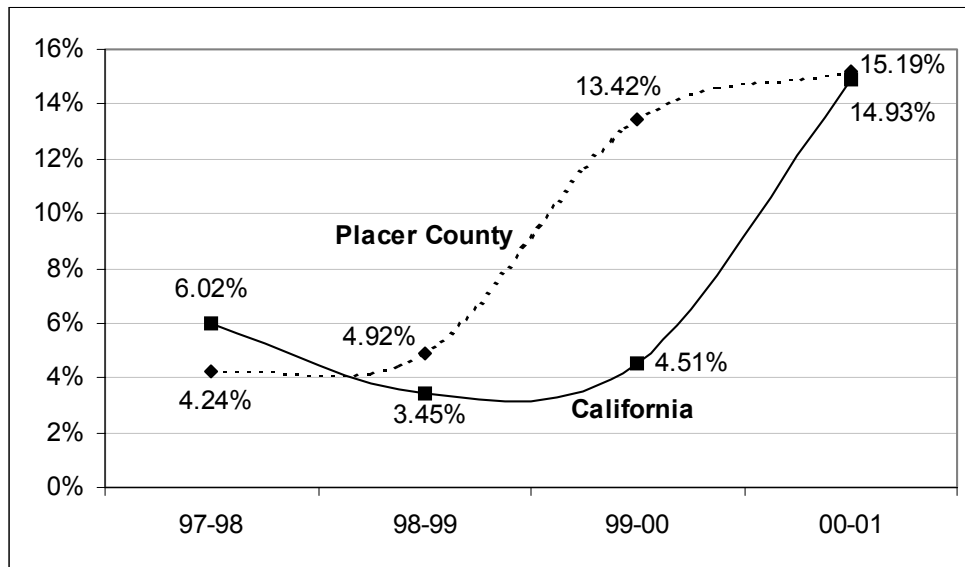
Economic data for the year 2001—the latest year available in the necessary detail—is contained in NAICS format, while the years 1997 to 2000 are in SIC format. For analyses at the individual sector level, SRRI used the SIC data due to the year-to-year classification consistency between 1997 and 2000 and data determined “not disclosable” by the United States Bureau of Labor Statistics for a few sectors in the 2001 NAICS data.

Employment Trends

Between 1997 and 2001, the Business and Professional Services industry in Placer County grew nearly 43 percent. While this growth rate is fairly large, the Business and Professional Services industry in California grew over 49 percent over the same period illustrating the increasing importance of service related industries. This growth demonstrates the shift in both the Placer County and California economies from manufacturing to services.

Figure 3 shows the growth rates of the industry over the past few years in Placer County and California. Placer County's growth was on par with California in the first two years, surpassed it in the third, and has drawn even with California in the fourth. The largest Business and Professional Services industry growth for both Placer County and California was between 2000 and 2001 with a fairly high growth rate of nearly 15 percent, demonstrating the growing importance of service related sectors statewide.

FIGURE 3
BUSINESS AND PROFESSIONAL SERVICES INDUSTRY
EMPLOYMENT GROWTH IN PLACER COUNTY AND CALIFORNIA



Sacramento Regional Research Institute, February 2003
 Data Source: U.S. Bureau of Labor Statistics, ES-202

In 2000, the Business and Professional Services industry made up about 28 percent of total employment in Placer County and nearly 30 percent in the state. This shows that Placer County's economy is almost on par with California in terms of the Business and Professional Services industry.

Figure 4 shows that within the Business and Professional Services industry in Placer County, Amusement and Recreation Services, Health Services, and Business Services make up approximately 60 percent of the industry's employment. Sixty-four percent of California's Business and Professional Services industry employment lies in the Business Services, Health Services, and Engineering, Accounting, Research, and Management Services sectors. These sectors are indicative of a more mature service-based economy. In most other sectors, Placer County is similar to the statewide employment composition in the Business and Professional Services industry. An interesting characteristic of Placer County compared to California is the composition of Business and Professional Services industry employment in the Amusement and Recreation Services sector. While this sector makes up about 11 percent of Placer County's industry, it only comprises approximately 6 percent of California's Business and Professional Services industry employment. This shows the prevalence and importance of Amusement and Recreation services in Placer County where these types of services are available year-round.

ECONOMIC TRENDS

FIGURE 4
BUSINESS AND PROFESSIONAL SERVICES EMPLOYMENT
IN PLACER COUNTY AND CALIFORNIA IN 2000

<i>SIC Code</i>	<i>Placer County</i>		<i>California</i>	
	<i>Employment</i>	<i>Percent of Business Svcs.</i>	<i>Employment</i>	<i>Percent of Business Svcs.</i>
73--Business Services	7,425	24.84%	1,339,287	29.91%
80--Health Services	7,153	23.93%	1,049,911	23.45%
79--Amusement and Recreation Services	3,394	11.35%	260,728	5.82%
70--Hotels and Other Lodging Places	2,385	7.98%	200,173	4.47%
65--Real Estate	2,212	7.40%	200,619	4.48%
87--Eng., Acctng., Res., Mgmt., and Related Services	2,064	6.90%	497,891	11.12%
60--Depository Institutions	1,252	4.19%	197,736	4.42%
48--Communications	1,117	3.74%	187,730	4.19%
63--Insurance Carriers	934	3.12%	136,817	3.06%
61--Non-depository Institutions	708	2.37%	84,523	1.89%
64--Insurance Agents	613	2.05%	83,954	1.87%
81--Legal Services	337	1.13%	123,158	2.75%
62--Security and Commodity Brokers	260	0.87%	75,460	1.69%
67--Holding and Other Investment Officers	39	0.13%	39,715	0.89%
Total Business Svcs. Employment	29,893		4,477,702	
Total Employment	107,182		14,867,006	
Proportion of Total Employment Contained in Business Svcs.	27.89%		30.12%	

Sacramento Regional Research Institute, February 2003
 Data Source: U.S. Bureau of Labor Statistics, ES-202

Figure 5 demonstrates that between 1997 and 2000, the Security and Commodity Brokers sector grew 111 percent—the highest growth sector in the Business and Professional Services industry in Placer County. Other high growth sectors include Insurance Agents with a growth rate of 70 percent and Business Services that grew over 64 percent between 1997 and 2000. Services needed for high-order business activities such as Insurance Carriers, Depository Institutions, and Real Estate also showed strong growth rates between 1997 and 2000 in Placer County. Over the same period, the Holding and Investment Officers sector saw negative growth of 22 percent. Additionally, the Amusement and Recreation Services sector experienced negative growth of 12 percent.

FIGURE 5
EMPLOYMENT GROWTH RATES IN BUSINESS
AND PROFESSIONAL SERVICES INDUSTRY SECTORS
IN PLACER COUNTY BETWEEN 1997 AND 2000

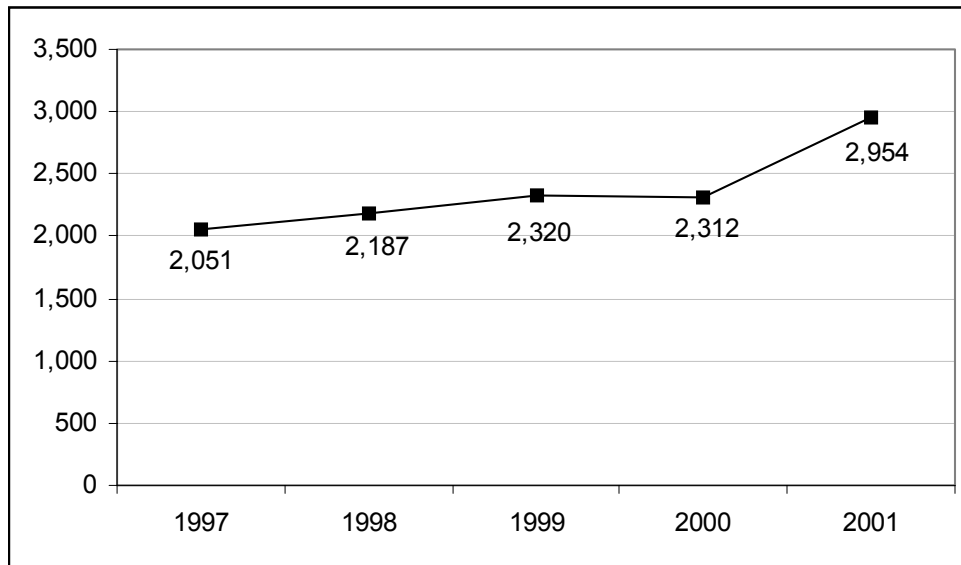
<i>SIC Code</i>	<i>Growth Rate 97-00</i>
62--Security and Commodity Brokers	111.38%
64--Insurance Agents	70.28%
73--Business Services	64.71%
70--Hotels and Other Lodging Places	59.43%
65--Real Estate	50.58%
60--Depository Institutions	31.37%
87--Eng., Acctng., Res., Mgmt., and Related Services	25.24%
63--Insurance Carriers	22.89%
81--Legal Services	13.47%
80--Health Services	6.25%
48--Communications	3.71%
61--Non-depository Institutions	-7.57%
79--Amusement and Recreation Services	-12.07%
67--Holding and Other Investment Officers	-22.00%

Sacramento Regional Research Institute, February 2003
 Data Source: U.S. Bureau of Labor Statistics, ES-202

Business Establishments

In all sectors, business establishments in Placer County have been increasing since 1997. As Figure 6 shows, except in 2000, Business and Professional Services industry establishments have increased every year with the greatest increase between 2000 and 2001—a 28 percent increase in establishments. On average, Business and Professional Services industry establishments have comprised approximately 31 percent of all establishments in Placer County over the past few years. These trends appear to indicate that the increased employment in Placer County's Business and Professional Services industry is primarily due to expansion of existing firms, rather than new firms moving into or starting up in the County.

FIGURE 6
BUSINESS AND PROFESSIONAL SERVICES
INDUSTRY ESTABLISHMENTS IN PLACER COUNTY



Sacramento Regional Research Institute, February 2003
Data Source: U.S. Bureau of Labor Statistics, ES-202

In 2000, nearly 67 percent of all Business and Professional Services industry establishments were housed in four sectors—Real Estate, Business Services, Health Services, and Engineering, Accounting, Research, and Management Services. The Health Services sector alone comprised nearly 20 percent of the total establishments in the Business and Professional Services industry (463 of the total 2,312 establishments) illustrating the availability of this service to both the business and retirement communities in Placer County. Additionally, providing services to the business community, the Business Services sector also encompassed about 20 percent of the total Business and Professional Services industry establishments with 462 separate business establishments in the County. Figure 7 shows the number of establishments in each Business and Professional Services industry sector.

FIGURE 7
ESTABLISHMENTS IN BUSINESS AND PROFESSIONAL
SERVICES INDUSTRY SECTORS IN PLACER COUNTY IN 2000

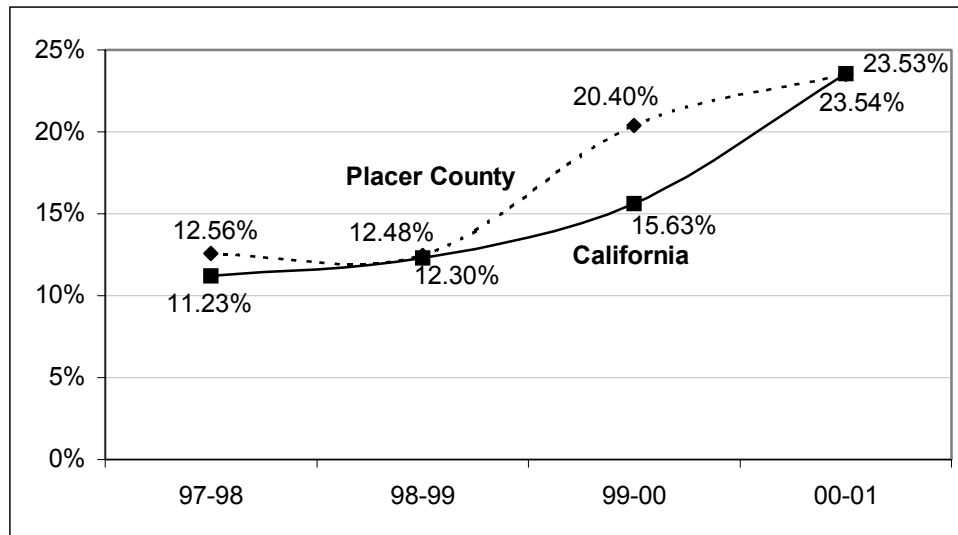
<i>SIC Code</i>	<i>Business Establishments</i>	<i>Percent of Business Svcs.</i>
80--Health Services	463	20.03%
73--Business Services	462	19.98%
87--Eng., Acctng., Res., Mgmt., and Related Services	331	14.32%
65--Real Estate	288	12.46%
64--Insurance Agents	127	5.49%
79--Amusement and Recreation Services	124	5.36%
81--Legal Services	116	5.02%
60--Depository Institutions	92	3.98%
61--Non-depository Institutions	82	3.55%
63--Insurance Carriers	64	2.77%
70--Hotels and Other Lodging Places	60	2.60%
62--Security and Commodity Brokers	52	2.25%
48--Communications	36	1.56%
67--Holding and Other Investment Officers	15	0.65%

Sacramento Regional Research Institute, February 2003
 Data Source: U.S. Bureau of Labor Statistics, ES-202

Employee Earnings

Between 1997 and 2001, Placer County experienced a greater growth rate in employee earnings within the Business and Professional Services industry than California—88 percent compared to 78 percent in the state. In the year 2000, Business and Professional Services industry employee earnings in Placer County were over \$1 billion. The average growth between years was similar for Placer County and California with average rates of 17 and 16 percent, respectively. Figure 8 shows the growth rates in employee earnings for Placer County and California and demonstrates how Placer County has consistently had similar or higher growth rates compared to California related to employee earnings in the Business and Professional Services industry.

FIGURE 8
EMPLOYEE EARNINGS GROWTH RATES IN THE
BUSINESS AND PROFESSIONAL SERVICES INDUSTRY
IN PLACER COUNTY AND CALIFORNIA



Sacramento Regional Research Institute, February 2003
 Data Source: U.S. Bureau of Labor Statistics, ES-202

In the Business and Professional Services industry, the Health Services and Business Services sectors held over 50 percent (about 25 percent each) of the total employee earnings in Placer County in the year 2000. This is not surprising considering that these two sectors comprised a large proportion of employment and establishments within Placer County's Business and Professional Services industry and both offer relatively higher paying jobs. California's employee earnings were also spread out proportionally among the three sectors with the highest employment and pay (64 percent)—Business Services, Health Services, and Engineering, Accounting, Research, and Management Services.

Overall, California has a higher proportion of Business and Professional Services industry earning to total employee earnings than Placer County. Between 1997 and 2001, California's proportion averaged approximately 37 percent while Placer County's average was nearly 28 percent. The service-related industries in California's mature economy have captured a large proportion of employee earnings, while Placer County's economy is not yet as diversified and mature in terms of service-oriented sectors and cannot support as large a proportion of employee earnings. However, it is evident that the growth rate in employee earnings in Placer County has been increasing and the Business and Professional Services industry might soon be able to support a greater proportion of employee earnings.

Economic Impacts of the Business and Professional Services Industry in Placer County

Research Methodology

The use of an econometric model can contribute to the knowledge of how a County's economy works by providing information on the inter-relationships between the various sectors. This section is designed to provide an economic perspective of the importance of the Business and Professional Services industry on the overall economic activity of Placer County.

SRRI calculated the economic impacts in this study using an input-output model called IMPLAN, developed at the University of Minnesota specifically for use in regional analysis and currently distributed and supported by the Minnesota Implan Group. Input-output models evaluate the effects of industries on each other based on the premise that industries use the outputs of other industries as inputs.

Unlike the economic factors mentioned earlier in this report, this section analyzes the full range of economic impacts of the Business and Professional Services industry by calculating the direct, indirect, and induced benefits of the industry in Placer County.

- *Direct Benefits* consist of economic activity contained exclusively within the Business and Professional Services industry. This includes all expenditures made by the companies in the industry and all employees who work directly for those companies.
- *Indirect Benefits* define the creation of additional economic activity that results from linked businesses, suppliers of goods and services, and provision of operating inputs.
- *Induced Benefits* measure the consumption expenditures of direct and indirect sector employees. Examples of induced benefits include employees' expenditures on items such as retail purchases, housing, doctors and dentists, banking, and insurance.

Additionally, the input-output models allowed SRRI to quantify the multiplier effect that occurs when new employment is added in the County. The multiplier effect is generated when new employment is added in one sector, but generates additional employment in other sectors which supply goods and services to the new or expanded firm (indirect impact) and consumer services to employees (induced impact).

In order to use the IMPLAN model, SRRI created a crosswalk between the SIC definition of the Business and Professional Services industry (discussed earlier in the report) and the specific IMPLAN sectors. In addition, SRRI distributed the employment data for each SIC sector into the IMPLAN sectors based on the crosswalk in order to appropriately model the Business and Professional Services industry in Placer County.

Total Economic Impacts

Overall, the Business and Professional Services industry contributes over 41,000 jobs and \$3.5 billion in output to Placer County's economy including direct, indirect, and induced benefits. The Business and Professional Services industry makes up over 26 percent of Placer County's total industry output and 30 percent of the total employment output. This industry comprises a larger portion of Placer County's economy than any other high-order industry. For example, this industry makes up a much larger portion of Placer County's economy than the high-tech manufacturing industry, which has approximately \$1.6 billion in total industry output and is over six times smaller than Business and Professional Services in terms of employment output.

Business and Professional Services Industry Output

Figure 9 shows that the Business and Professional Services industry contributes over \$3.5 billion to Placer County's economy, which is nearly 26 percent of Placer County's total industry output. Additionally, this industry generates more than \$600 million in indirect benefits—linked businesses, suppliers of goods and services, and provision of operating inputs. Further, direct (Business and Professional Services) and indirect sector employees' expenditures provide an additional \$587 million in economic activity in Placer County in induced impacts.

FIGURE 9
TOTAL INDUSTRY OUTPUT FROM
THE BUSINESS AND PROFESSIONAL
SERVICES INDUSTRY

<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total Impacts</i>
\$2,336,361,870	\$606,488,041	\$587,072,880	\$3,529,922,801

Sacramento Regional Research Institute, February 2003
Data Source: IMPLAN, 1999 Coefficients

Moreover, the Business and Professional Services industry in Placer County provides over \$2 billion in total added value. This reflects the amount of output produced over and above the cost of the inputs and includes direct, indirect, and induced impacts.

Figure 10 illustrates specific economic sectors and their corresponding industry output impacts on Placer County's economy. Due to the service-oriented aspects of the Business and Professional Services industry, many of the individual sectors within the industry interrelate; therefore, most sectors experience indirect and induced benefits. The Business Services sector alone generates nearly \$660 million, while many other Business and Professional Services related sectors have output impacts of over \$300 million. The Real Estate and Retail Trade sectors have large induced components demonstrating the

ECONOMIC IMPACTS

demand for services from these sectors generated by spending activity from the direct and indirect sector employees.

FIGURE 10
OUTPUT IMPACTS

<i>Sector</i>	<i>Output Impacts</i>			
	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Business Services	\$438,738,198	\$191,659,737	\$29,204,272	\$659,602,208
Real Estate	\$422,796,992	\$59,052,256	\$102,421,882	\$584,271,128
Health Services	\$417,995,280	\$5,935,344	\$85,087,767	\$509,018,394
Communications	\$407,702,880	\$66,982,526	\$14,701,779	\$489,387,183
Finance	\$257,887,610	\$49,633,430	\$31,434,518	\$338,955,564
Personal and Consumer Services	\$208,537,603	\$27,157,056	\$73,397,578	\$309,092,231
Insurance	\$156,385,724	\$29,087,244	\$24,986,389	\$210,459,364
Retail Trade	\$0	\$9,202,079	\$119,747,681	\$128,949,759
Construction	\$0	\$64,059,652	\$17,539,458	\$81,599,108
Manufacturing	\$0	\$38,644,469	\$13,132,260	\$51,776,732
Wholesale Trade	\$0	\$17,023,908	\$28,599,400	\$45,623,308
Legal Services	\$26,317,584	\$5,300,742	\$4,068,287	\$35,686,612
Government	\$0	\$15,931,347	\$16,781,693	\$32,713,039
Transportation	\$0	\$11,718,713	\$11,668,962	\$23,387,673
Utilities	\$0	\$10,667,297	\$10,292,281	\$20,959,577
Agriculture and Food Processing	\$0	\$4,422,661	\$4,005,485	\$8,428,148
Mining	\$0	\$9,582	\$3,191	\$12,775
Total Impacts	\$2,336,361,870	\$606,488,041	\$587,072,880	\$3,529,922,801

Sacramento Regional Research Institute, February 2003

Data Source: IMPLAN, 1999 Coefficients

Note: Differences due to rounding.

Business and Professional Services Employment

In addition to the approximately \$3.5 billion in total industry output, the Business and Professional Services industry is also responsible for generating nearly 15,000 jobs in Placer County from indirect and induced activity. As Figure 11 demonstrates, the Business and Professional Services industry directly generates over 26,000 jobs in Placer County. The total 41,114 jobs that the Business and Professional Services industry generates makes up approximately 30 percent of the total employment output in the County.

In terms of indirect activity, the Business and Professional Services industry generates an additional 7,204 jobs in Placer County in linked or goods and services supplying sectors. This industry also provides 7,553 jobs in induced activity created by consumption expenditures of direct and indirect sector employees.

ECONOMIC IMPACTS

FIGURE 11
TOTAL EMPLOYMENT IMPACTS
FROM THE BUSINESS AND
PROFESSIONAL SERVICES INDUSTRY

<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total Impacts</i>
26,357	7,204	7,553	41,114

Sacramento Regional Research Institute, February 2003
 Data Source: IMPLAN, 1999 Coefficients

Figure 12 illustrates the employment impacts of various economic sectors. Similar to the industry outputs, the service-oriented nature of the Business and Professional Services industry creates relationships among the individual sectors causing most to have indirect and induced components. The Retail Trade, Personal and Consumer Services, and Health Services sectors have high induced benefits due to consumer purchases from the direct and indirect employees. Over half of the total employment benefits (26,445) are housed in the top three industries—Business Services, Personal and Consumer Services, and Health Services.

FIGURE 12
EMPLOYMENT IMPACTS

<i>Sector</i>	<i>Employment Impacts</i>			<i>Total</i>
	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	
Business Services	7,650	3,397	518	11,565
Personal and Consumer Services	5,390	454	1,643	7,487
Health Services	6,225	114	1,055	7,393
Retail Trade	0	201	2,585	2,786
Finance	1,976	474	261	2,711
Real Estate	2,152	301	159	2,612
Insurance	1,428	482	221	2,131
Communications	1,218	205	45	1,468
Construction	0	686	172	858
Legal Services	318	64	49	431
Government	0	157	262	420
Wholesale Trade	0	156	261	417
Manufacturing	0	231	90	321
Transportation	0	136	132	268
Agriculture and Food Processing	0	104	75	179
Utilities	0	42	24	67
Total Impacts	26,357	7,204	7,553	41,114

Sacramento Regional Research Institute, February 2003
 Data Source: IMPLAN, 1999 Coefficients
 Note: Difference due to rounding.

Multipliers in the Business and Professional Services Industry

Economic multipliers are valuable tools because they show the total impacts of adding a new firm or new employment in existing firms, including the indirect and induced effects on other economic sectors. The value of the multiplier is determined by the extent to which a new industry can obtain its inputs, services, and employees in the region where it is located, without having to import materials and employees from outside the region. The multiplier is also affected by the way firms in the new industry operate their business. Multipliers can be measured in both numbers of employees and dollars.

Figure 13 lists the employment multipliers for the Business and Professional Services sectors in Placer County. Each new employee added in the Insurance Agents sector creates a total increase of 1.99 employees in Placer County (of which one is the new Insurance Agents employee and an additional 0.99 employees are in the indirect and induced sectors of the economy). After the Insurance Agents sector, the Engineering, Accounting, Research, and Management Services as well as the Business Services sectors have the highest multipliers within Business and Professional Services industry. Overall, the entire Business and Professional Services industry has an employment multiplier of 1.56. The multipliers for industry output are almost exactly the same as the employment multipliers, except the Business and Professional Services industry in total has a multiplier of 1.51—each additional dollar added in the Business and Professional Services industry generates \$0.51 in the indirect and induced sectors along with the \$1 in the Business and Professional Services industry.

FIGURE 13
BUSINESS AND PROFESSIONAL
SERVICES INDUSTRY MULTIPLIERS

<i>SIC Code</i>	<i>Multiplier</i>
64--Insurance Agents	1.99
87--Eng., Acctng., Res., Mgmt., and Related Services	1.99
73--Business Services	1.91
62--Security and Commodity Brokers	1.64
61--Non-depository Institutions	1.48
67--Holding and Other Investment Officers	1.48
81--Legal Services	1.36
60--Depository Institutions	1.23
80--Health Services	1.23
65--Real Estate	1.21
48--Communications	1.20
63--Insurance Carriers	1.18
79--Amusement and Recreation Services	1.15
70--Hotels and Other Lodging Places	1.14
Business and Professional Services Employment	1.56
Business and Professional Services Output	1.51

Sacramento Regional Research Institute, February 2003

Data Source: IMPLAN, 1999 Coefficients

Note: Multipliers for the individual industries refer to both employment and total output

Survey of Placer County Business and Professional Services Firms

Survey Methodology

Introduction

SRRI conducted a survey of companies representing the Placer County Business and Professional Services industry in order to identify factors that attract firms to and retain firms in Placer County. Additionally, the survey was designed to determine the firms' level of satisfaction and find out first-hand industry representatives' expectations of and opinions on potential growth trends in the industry. SRRI also collected and analyzed information characterizing firms in terms of the number of employees, origin of the firm, location of customers and clients, and expectations about expansion and creation of new products.

Identifying the Firms

SRRI used a broad variety of data sources to obtain listings of Placer County Business and Professional Services industry firms. These sources primarily included commercial databases that identify firms by type of goods or services they produce as well as by their industry classification codes (SIC), such as InfoUSA, Zapdata, iMarket, and others. Additionally, published reports and studies on the various sectors in the Business and Professional Services industry and employers in specific regions were used to identify firms.

The process of identifying of firms was designed to be comprehensive and representative of all the major Business and Professional Services industry sectors defined and discussed earlier in the report.

The Sample Population

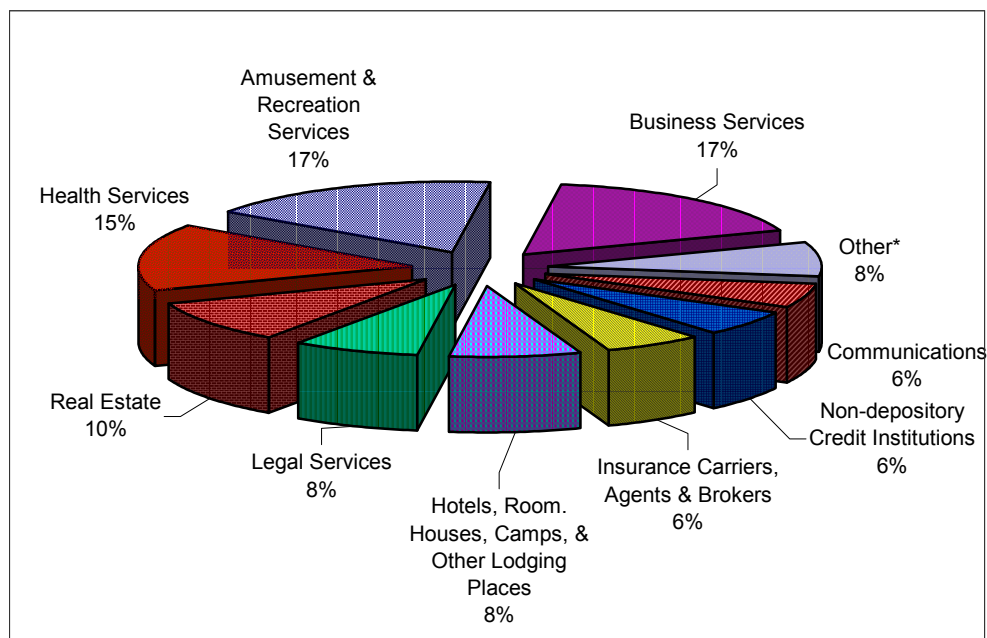
The process of identifying firms ultimately yielded a population of 2,149 firms. The population was reduced using a systematic sampling method to obtain a manageable and effective sample of 200 companies. The sample selection process design allowed SRRI to obtain a comprehensive view of the Business and Professional Services industry in Placer County.

Contacted Firms and Survey Participants

SRRI contacted all 200 sample companies; however, 50 companies (25 percent) refused to participate in the survey, owners or managers of 98 companies (49 percent) were not available to answer survey questions after multiple attempts, and 52 companies (26 percent) agreed to participate in the survey.

As Figure 14 illustrates, the 52 companies interviewed by SRRI represent a comprehensive mix of major industry groups with Business Services, Amusement and Recreation Services, Health, Real Estate and Legal Services being the most representative sectors.

FIGURE 14
PARTICIPATING BUSINESS AND PROFESSIONAL SERVICES FIRMS



*Note: Other category includes Depository Institutions, Security and Commodity Brokers, and Engineering, Accounting, Research, Management, and Related Services.
Differences due to rounding.

The interviews were conducted with company owners, managers, and public relations authorities to ensure a high degree of competence and awareness of the businesses' plans, expectations and major concerns and/or satisfaction factors.

Survey Responses

Major Conclusions

To develop a better understanding of the Placer County Business and Professional Services industry and its major characteristics, SRRI collected and analyzed information on such indicators as companies' sizes in terms of number of employees, the origin of firms and length of their operation in Placer, firms' customer base location, expectations of expansion and new product development, and factors affecting their satisfaction with Placer County as a place to do business.

As the following analysis demonstrates, Placer County business and professional services industry represents a diverse selection of companies of different sizes, ranging from one to over 2,000 employees, with smaller businesses representing the majority. The majority of the interviewed companies originated in Placer County and have been there for 18 years, on average. Most of these firms service Placer County and Sacramento region customers, although a significant share (38 percent) work with customers from the Bay Area, other California locations, and other states. Over 20 percent of the interviewed businesses are planning to expand their products or services and expect some increases in employment. The overwhelming majority (92 percent) of the interviewed companies expressed their satisfaction with Placer County as a place to do business. Although most respondents stressed the non-business factors like quality of life, community characteristics, and lifestyle as the major reasons for their satisfaction, business factors like access to markets and customers as well as the cost of facilities given the quality of life in Placer County were mentioned as strong advantages of doing business in Placer County.

The Majority of Business and Professional Services Firms in Placer County are Small

As Figure 15 illustrates, the number of employees in the interviewed companies ranges from 1 to 2,400. The majority of interviewed businesses, 60 percent, employ from 1 to 9 people, with an average of 4 employees. The sizes of companies that constitute the second largest group, 27 percent, employ from 10 to 29 employees with an average of 18 employees.

FIGURE 15
DISTRIBUTION OF INTERVIEWED
COMPANIES BY NUMBER OF EMPLOYEES

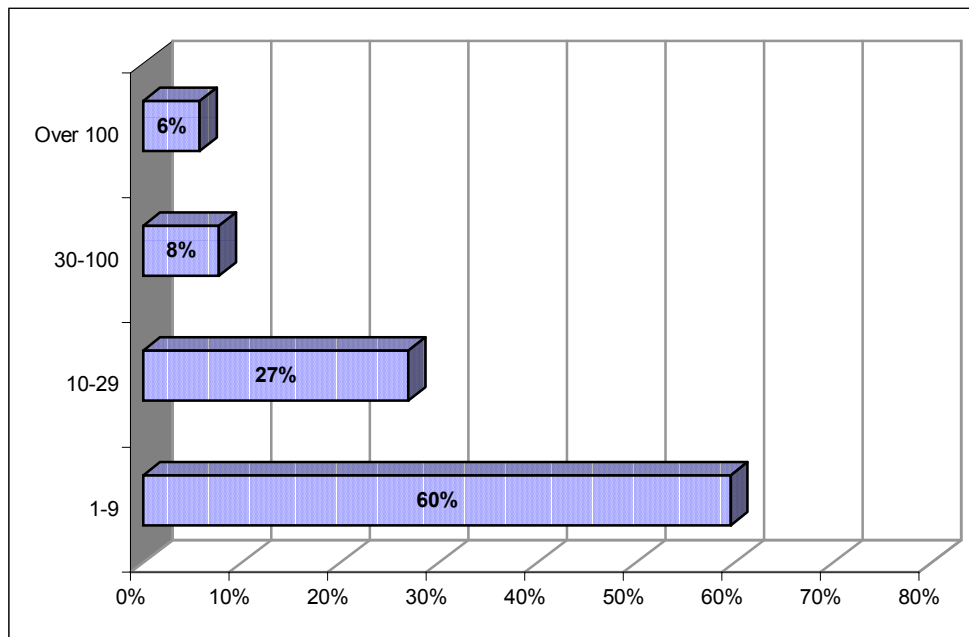
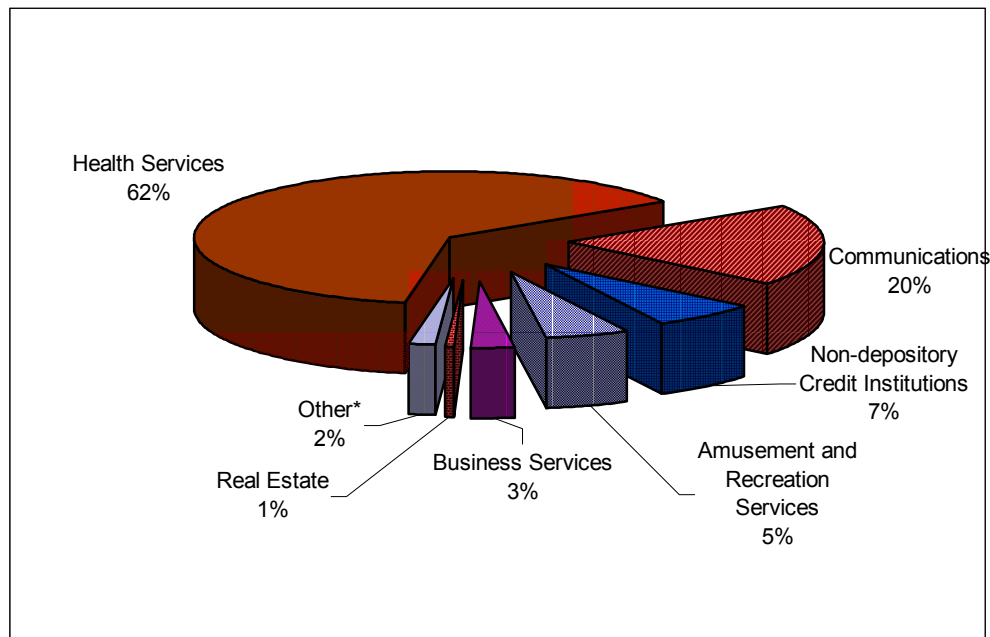


Figure 16 shows the percentage breakdown in terms of employment by sector of surveyed companies in Placer County's Business and Professional Services industry. At 62 percent, Health Services account for the largest share of employment, followed by Communications (20 percent), Non-depository Credit Institutions (7 percent), Amusement and Recreation Services (5 percent), and Business Services and Real Estate (3 and 1 percent, respectively).

FIGURE 16
EMPLOYMENT COMPOSITION OF SURVEYED COMPANIES
IN BUSINESS AND PROFESSIONAL SERVICES



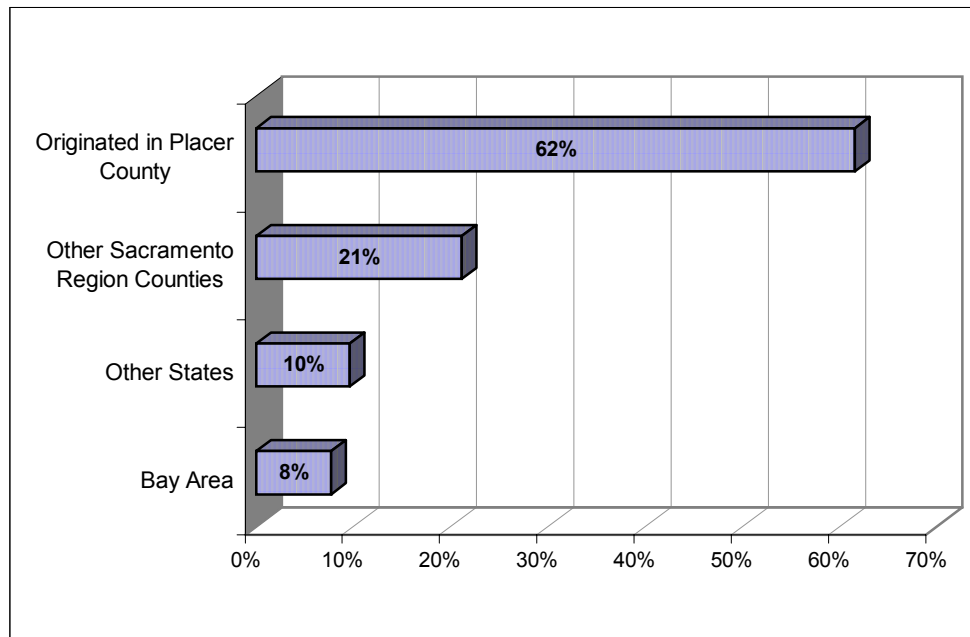
*Note: Other category includes Hotels, Rooming Houses, Camps, and Other Lodging Places; Legal Services; Insurance Carriers, Agents and Brokers; Depository Institutions; Engineering, Accounting, Research, Management, and Related Services; and Security and Commodity Brokers.

Most Surveyed Firms Originated in Placer and Have Been there for 18 Years

As demonstrated in Figure 17, 62 percent of surveyed firms started their businesses in Placer County. Among the firms that moved their operations to Placer, 21 percent came from other Sacramento region counties, mostly from Sacramento, but also from El Dorado and Yolo Counties. Ten percent came from other states, and 8 percent from the Bay Area. Among the reasons for relocation mentioned by the interviewed owners and managers, expansion into the Placer County region was the most frequent. Many of the surveyed business owners moved to Placer County in search of a better geographic location and to improve their quality of life. Most firms from the Bay Area moved in hope of reducing business costs, while businesses from Sacramento moved for customer proximity and business expansion reasons.

Many of the interviewed business have been in Placer for a long period of time. The number of years ranges from 4 months to 116 years, with an average of 18 years.

FIGURE 17
ORIGINS OF BUSINESS AND PROFESSIONAL SERVICES FIRMS



Most Surveyed Firms Service Local Customers, but a Fairly Large Share of Respondents also Work with Clients Outside the County

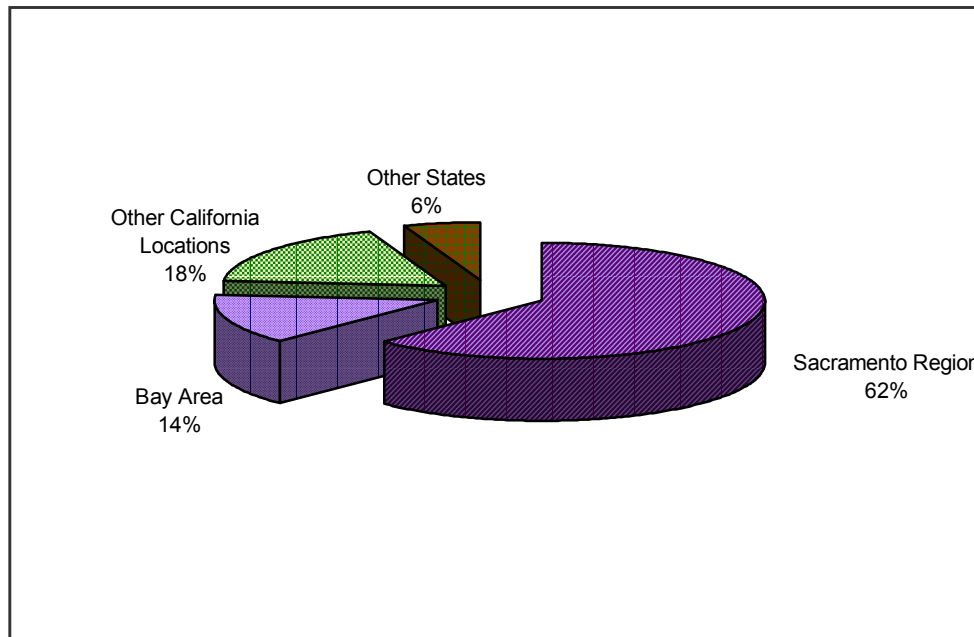
As Figure 18 illustrates, the overwhelming majority of the surveyed business and professional services firms service customers in the Sacramento region. Many of these companies work with customers from Placer County only. These firms represent communications, baking, healthcare, legal services, sports and recreation services, security, computer programming, and insurance services.

Customers from other California locations represent the second largest market segment, accounting for 18 percent. Almost all of the surveyed firms that service clients from other California locations also have a solid customer base in Placer County. These businesses include financial services, hotels, lodging facilities and timeshare companies, engineering and consulting services, and some financial services.

Bay Area customers account for 14 percent of the Placer County Business and Professional Services industry customer base. Most of these firms are hotels and sports and recreation businesses. There are also a few firms that provide insurance, legal, and financial services to Bay Area customers.

Very few (7 percent) of the surveyed companies work with clients outside of California. These companies mainly provide amusement and recreation and computer programming services.

FIGURE 18
SURVEYED FIRMS' CUSTOMER LOCATION



Only One-fifth of the Respondents Have Plans to Expand Products or Services

Only 21 percent of interviewed companies are planning to expand their firms' products or services within the next twelve months. These companies provide communications services, financial and investment services, and computer programming and business services (such as security and document storage). Most of the interviewed businesses that have immediate plans to expand are expecting their employee numbers to increase, although at insignificant amounts. None of the surveyed respondents mentioned any concrete plans to downsize or close their businesses. However, several business owners or managers in sports and recreation as well as hotels and lodging services mentioned their concerns about the general unfavorable economic situation and falling consumer spending levels that could potentially force them to reduce costs through downsizing and layoffs.

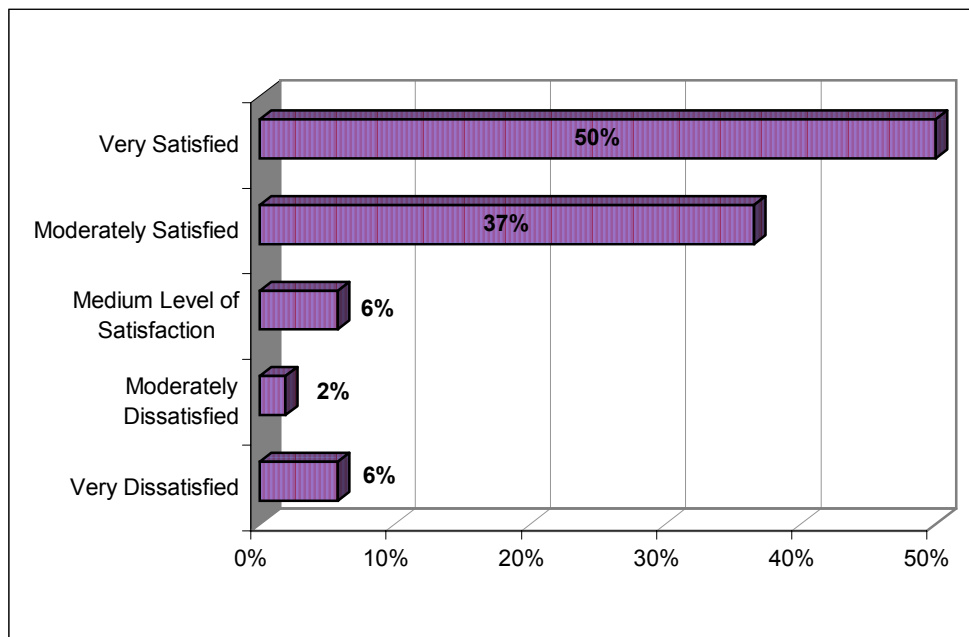
Nearly All Respondents Are Satisfied with Placer as a Place to Do Business

Overall, the surveyed companies are satisfied with Placer County as a place to do business. Ninety-two percent of the respondents expressed varying degrees of satisfaction, which is illustrated in Figure 19. The majority of the interviewed firms, 50 percent, said that they are "very satisfied," 36 percent are "moderately satisfied," and 6 percent expressed a "medium level satisfaction" regarding Placer County as a place to do a business. Major issues of concern expressed by the latter two groups of respondents include the amount of regulation and "red tape" in the building permitting process, high

costs of utilities, communications and rent, limited labor force pool, high taxes, and strict requirements for home-based businesses.

Medical services firms expressed concern about strict and sometimes unnecessary County regulations, insufficient public transportation, and difficulties with California's Workmen's Compensation requirements that often raise business costs. Companies from several sectors including real estate and development, medical services, and business consulting services expressed dissatisfaction with the building permitting process and expressed a desire for County authorities to be more helpful, proactive, and cooperative in this respect. Hotels and lodging facilities as well as sports and recreation services firms were mainly worried about high utilities and communications costs and tough County health codes. Several business owners expressed a concern with the growing peak-hour congestion on Interstate 80—the main transportation corridor for Placer County.

FIGURE 19
FIRMS' LEVEL OF SATISFACTION WITH PLACER COUNTY AS A
PLACE TO DO BUSINESS



Only 8 percent expressed their dissatisfaction with Placer County. Strict County rules and overregulation manifested in numerous regulatory agencies and unnecessary bureaucratic procedures as well as challenges with building permitting issues present the major reasons for their discontent. These respondents expressed that they would like to see County authorities that are more business-friendly and supportive.

Quality of Life Is the Major Factor that Affects the Respondents' Satisfaction with Placer County

Among the factors that affect the respondents' evaluation of Placer County, non-business factors represent 70 percent of responses. As shown in Figure 20, quality of life factors, like community qualities, safety, small-town values, recreation and outdoor style play the most important role, and account for 52 percent of responses. Among the business factors, access to markets and customers was the most frequently mentioned (14 percent), followed by cost of facilities (rent, building and land costs) at 8 percent, and cost of utilities and labor force at 4 percent each.

FIGURE 20
ADVANTAGES OF DOING BUSINESS IN PLACER COUNTY
AS PERCEIVED BY SURVEY RESPONDENTS

